

WINSTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

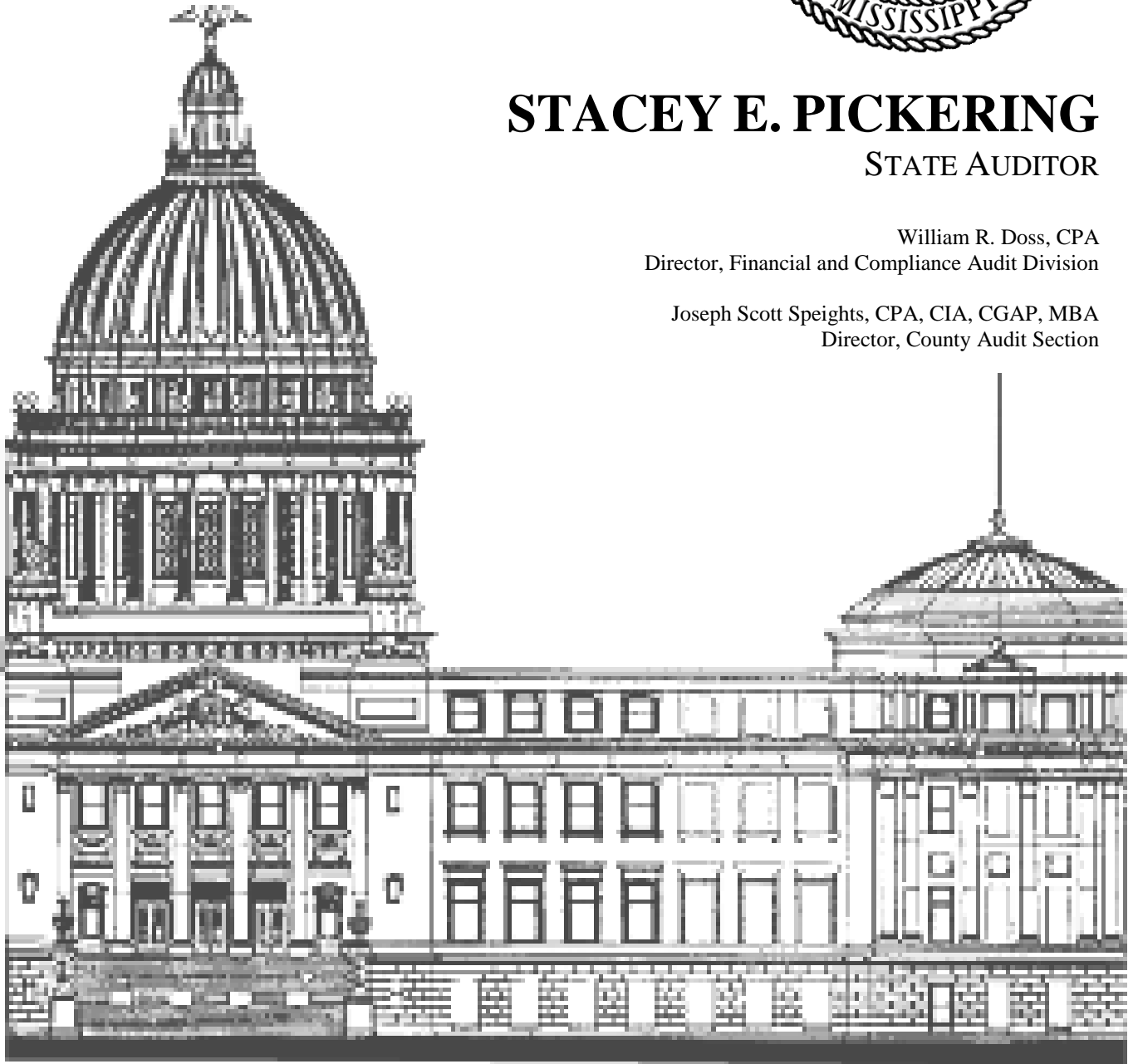


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 18, 2013

Members of the Board of Supervisors
Winston County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Winston County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Winston County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Winston County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WINSTON COUNTY
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WINSTON COUNTY

FINANCIAL SECTION

WINSTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Winston County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, (the County), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

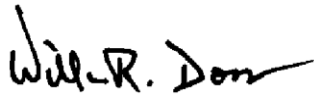
As discussed in Note 2, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2013, on our consideration of Winston County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Winston County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winston County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 18, 2013

WINSTON COUNTY

FINANCIAL STATEMENTS

WINSTON COUNTY

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WINSTON COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,998,965	400,269	10,399,234
Restricted assets - investments		2,360,375	2,360,375
Property tax receivable	2,586,062		2,586,062
Accounts receivable (net of allowance for uncollectibles of \$700,483)		115,952	115,952
Fines receivable (net of allowance for uncollectibles of \$1,401,705)	131,326		131,326
Loans receivable (net of allowance for uncollectibles of \$178,547)	0		0
Capital leases receivable	720,976		720,976
Intergovernmental receivables	152,416	234,808	387,224
Other receivables	138,210	18,533	156,743
Internal balances	171,259	(171,259)	
Deferred charges - bond issuance costs		104,612	104,612
Capital assets:			
Land and construction in progress	1,631,790	54,000	1,685,790
Other capital assets, net	22,176,482	4,103,146	26,279,628
Total Assets	37,707,486	7,220,436	44,927,922
LIABILITIES			
Claims payable	272,841	142,333	415,174
Intergovernmental payables	181,605		181,605
Accrued interest payable	7,859	58,700	66,559
Deferred revenue	2,740,220		2,740,220
Other payables	40,384		40,384
Long-term liabilities			
Due within one year:			
Capital debt	245,095	369,870	614,965
Non-capital debt	175,775		175,775
Due in more than one year:			
Capital debt	185,399	2,594,352	2,779,751
Non-capital debt	612,481	20,655	633,136
Total Liabilities	4,461,659	3,185,910	7,647,569
NET ASSETS			
Invested in capital assets, net of related debt	23,377,778	1,192,924	24,570,702
Restricted:			
Expendable:			
General government	112,541		112,541
Public safety	499,768	1,804,503	2,304,271
Public works	2,082,195	230,177	2,312,372
Debt service	30,000	806,922	836,922
Unemployment compensation	29,039		29,039
Unrestricted	7,114,506		7,114,506
Total Net Assets	\$ 33,245,827	4,034,526	37,280,353

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,216,221	432,171	14,560		(1,769,490)		(1,769,490)
Public safety	1,247,100	188,220	692,686		(366,194)		(366,194)
Public works	2,277,780	18,050	357,515	1,195,715	(706,500)		(706,500)
Health and welfare	125,213		39,011		(86,202)		(86,202)
Culture and recreation	171,244		3,676	7,612	(159,956)		(159,956)
Education	100,713				(100,713)		(100,713)
Conservation of natural resources	109,452		7,440		(102,012)		(102,012)
Economic development	574,636		330,418		(244,218)		(244,218)
Interest on long-term debt	47,750				(47,750)		(47,750)
Total Governmental Activities	<u>6,870,109</u>	<u>638,441</u>	<u>1,445,306</u>	<u>1,203,327</u>	<u>(3,583,035)</u>		<u>(3,583,035)</u>
Business-type activities:							
Correctional facility	2,936,911	2,894,494				(42,417)	(42,417)
Solid waste	428,991	381,008				(47,983)	(47,983)
Total Business-type Activities	<u>3,365,902</u>	<u>3,275,502</u>	<u>0</u>	<u>0</u>		<u>(90,400)</u>	<u>(90,400)</u>
Total Primary Government	<u>\$ 10,236,011</u>	<u>3,913,943</u>	<u>1,445,306</u>	<u>1,203,327</u>	<u>(3,583,035)</u>	<u>(90,400)</u>	<u>(3,673,435)</u>
General revenues:							
Property taxes					\$ 3,366,469		3,366,469
Road & bridge privilege taxes					212,574		212,574
Grants and contributions not restricted to specific programs					442,854		442,854
Unrestricted interest income					41,295	1,354	42,649
Miscellaneous					436,270		436,270
Transfers					(90,000)	90,000	
Total General Revenues and Transfers					<u>4,409,462</u>	<u>91,354</u>	<u>4,500,816</u>
Changes in Net Assets					<u>826,427</u>	<u>954</u>	<u>827,381</u>
Net Assets - Beginning as previously reported					32,255,571	4,033,572	36,289,143
Prior period adjustments					163,829		163,829
Net Assets - Beginning, as restated					<u>32,419,400</u>	<u>4,033,572</u>	<u>36,452,972</u>
Net Assets - Ending					<u>\$ 33,245,827</u>	<u>4,034,526</u>	<u>37,280,353</u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>CAP Repayment</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Polo Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 6,350,302		3,648,663	9,998,965
Property tax receivable	1,856,303		729,759	2,586,062
Fines receivable (net of allowance for uncollectibles of \$1,401,705)	131,326			131,326
Loans receivable (net of allowance for uncollectibles of \$178,547)			0	0
Capital leases receivable		720,976		720,976
Intergovernmental receivables	122,281		30,135	152,416
Other receivables	22,664		48,924	71,588
Due from other funds	83,545		65,781	149,326
Advances to other funds	293,698		12,959	306,657
Total Assets	<u>\$ 8,860,119</u>	<u>720,976</u>	<u>4,536,221</u>	<u>14,117,316</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 107,493		165,348	272,841
Intergovernmental payables	180,979		626	181,605
Due to other funds	78,575		15,536	94,111
Advances from other funds	6,376		117,615	123,991
Deferred revenue	1,987,629	720,976	729,759	3,438,364
Other payables	40,384			40,384
Total Liabilities	<u>2,401,436</u>	<u>720,976</u>	<u>1,028,884</u>	<u>4,151,296</u>
Fund balances:				
Nonspendable:				
Advances	293,698			293,698
Restricted for:				
General government			112,541	112,541
Public safety			501,960	501,960
Public works			2,082,195	2,082,195
Debt service			30,000	30,000
Unemployment compensation			29,039	29,039
Assigned to:				
General government			62,454	62,454
Economic development			689,148	689,148
Unassigned	6,164,985			6,164,985
Total Fund Balances	<u>6,458,683</u>	<u>0</u>	<u>3,507,337</u>	<u>9,966,020</u>
Total Liabilities and Fund Balances	<u>\$ 8,860,119</u>	<u>720,976</u>	<u>4,536,221</u>	<u>14,117,316</u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,966,020
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$31,997,533.	23,808,272
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	131,326
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,218,750)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(7,859)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>566,818</u>
Total Net Assets - Governmental Activities	\$ <u><u>33,245,827</u></u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds		Other	Total
	General	CAP Repayment	Governmental	Governmental
	Fund	Polo Fund	Funds	Funds
REVENUES				
Property taxes	\$ 2,425,569		940,900	3,366,469
Road and bridge privilege taxes			212,574	212,574
Licenses, commissions and other revenue	352,571		15,167	367,738
Fines and forfeitures	192,980			192,980
Intergovernmental revenues	846,425		2,245,064	3,091,489
Charges for services			194,728	194,728
Interest income	15,789	17,426	8,080	41,295
Miscellaneous revenues	82,742		353,526	436,268
Total Revenues	3,916,076	17,426	3,970,039	7,903,541
EXPENDITURES				
Current:				
General government	1,992,001		208,735	2,200,736
Public safety	806,042		379,811	1,185,853
Public works	7,750		3,161,978	3,169,728
Health and welfare	111,429			111,429
Culture and recreation	166,152		10,150	176,302
Education	100,713			100,713
Conservation of natural resources	101,241		7,440	108,681
Economic development	100,137		474,499	574,636
Debt service:				
Principal		25,832	231,762	257,594
Interest		17,426	35,491	52,917
Total Expenditures	3,385,465	43,258	4,509,866	7,938,589
Excess of Revenues over (under) Expenditures	530,611	(25,832)	(539,827)	(35,048)
OTHER FINANCING SOURCES (USES)				
Transfers in	76,000		550,045	626,045
Transfers out	(621,885)		(94,160)	(716,045)
Lease principal payments		25,832		25,832
Total Other Financing Sources and Uses	(545,885)	25,832	455,885	(64,168)
Net Changes in Fund Balances	(15,274)	0	(83,942)	(99,216)
Fund Balances - Beginning as previously reported	6,501,026		3,499,731	10,000,757
Prior period adjustments	(27,069)		91,548	64,479
Fund Balances - Beginning, as restated	6,473,957	0	3,591,279	10,065,236
Fund Balances - Ending	\$ 6,458,683	0	3,507,337	9,966,020

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (99,216)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,336,946 exceeded depreciation of \$525,395 in the current period.	811,551
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$1,972 in the current period.	(1,972)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(117,004)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments of \$257,594.	257,594
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences payable	(3,860)
Decrease in accrued interest payable	5,167
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(25,833)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>826,427</u></u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash	\$ 229,514	170,755	400,269
Restricted assets - investments	2,360,375		2,360,375
Accounts receivable (net of allowance for uncollectibles of \$700,483)		115,952	115,952
Intergovernmental receivables	234,808		234,808
Other receivables	12,438		12,438
Due from other funds		13,245	13,245
Advances to other funds	6,095		6,095
Total Current Assets	2,843,230	299,952	3,143,182
Noncurrent assets:			
Deferred charges - bond issuance cost	104,612		104,612
Capital assets:			
Land and construction in progress	54,000		54,000
Other capital assets, net	4,016,127	87,019	4,103,146
Total Noncurrent Assets	4,174,739	87,019	4,261,758
Total Assets	7,017,969	386,971	7,404,940
LIABILITIES			
Current liabilities:			
Claims payable	131,467	10,866	142,333
Due to other funds	62,033	6,427	68,460
Advances from other funds	65,946	50,098	116,044
Accrued interest payable	58,700		58,700
Capital debt:			
Other long-term liabilities	369,870		369,870
Total Current Liabilities	688,016	67,391	755,407
Noncurrent liabilities:			
Capital debt:			
Other long-term liabilities	2,594,352		2,594,352
Non-capital debt:			
Compensated absences payable	18,271	2,384	20,655
Total Noncurrent Liabilities	2,612,623	2,384	2,615,007
Total Liabilities	3,300,639	69,775	3,370,414
NET ASSETS			
Invested in capital assets, net of related debt	1,105,905	87,019	1,192,924
Restricted for:			
Debt service	806,922		806,922
Public safety	1,804,503		1,804,503
Public works		230,177	230,177
Total Net Assets	\$ 3,717,330	317,196	4,034,526

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Correctional Facility Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 2,756,675	381,008	3,137,683
Miscellaneous	137,819		137,819
Total Operating Revenues	<u>2,894,494</u>	<u>381,008</u>	<u>3,275,502</u>
Operating Expenses			
Personal services	1,659,686	148,666	1,808,352
Contractual services	367,981	163,749	531,730
Materials and supplies	580,821	69,475	650,296
Depreciation expense	136,425	34,121	170,546
Amortization of deferred charges	12,565		12,565
Indirect administrative costs	62,033	6,427	68,460
Total Operating Expenses	<u>2,819,511</u>	<u>422,438</u>	<u>3,241,949</u>
Operating Income (Loss)	<u>74,983</u>	<u>(41,430)</u>	<u>33,553</u>
Nonoperating Revenues (Expenses)			
Interest income	1,152	202	1,354
Gain (loss) on sale of capital assets		(6,018)	(6,018)
Interest expense	(117,400)	(535)	(117,935)
Net Nonoperating Revenue (Expenses)	<u>(116,248)</u>	<u>(6,351)</u>	<u>(122,599)</u>
Net Income (Loss) Before Transfers	<u>(41,265)</u>	<u>(47,781)</u>	<u>(89,046)</u>
Transfers in		90,000	90,000
Changes in Net Assets	<u>(41,265)</u>	<u>42,219</u>	<u>954</u>
Net Assets - Beginning as previously reported	<u>3,758,595</u>	<u>274,977</u>	<u>4,033,572</u>
Net Assets - Ending	\$ <u>3,717,330</u>	<u>317,196</u>	<u>4,034,526</u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,923,546	375,366	3,298,912
Payments to suppliers	(928,948)	(237,378)	(1,166,326)
Payments to employees	(1,705,950)	(152,133)	(1,858,083)
Net Cash Provided (Used) by Operating Activities	288,648	(14,145)	274,503
Cash Flows From Noncapital Financing Activities			
Cash received from other funds:			
Operating transfers in		90,000	90,000
Net Cash Provided (Used) by Noncapital Financing Activities	0	90,000	90,000
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(30,828)		(30,828)
Principal paid on long-term debt	(350,000)	(30,984)	(380,984)
Interest paid on debt	(124,400)	(535)	(124,935)
Net Cash Provided (Used) by Capital and Related Financing Activities	(505,228)	(31,519)	(536,747)
Cash Flows From Investing Activities			
Interest on investments	1,152	202	1,354
Net Cash Provided (Used) by Investing Activities	1,152	202	1,354
Net Increase (Decrease) in Cash and Cash Equivalents	(215,428)	44,538	(170,890)
Cash and Cash Equivalents at Beginning of Year	2,805,317	126,217	2,931,534
Cash and Cash Equivalents at End of Year	\$ 2,589,889	170,755	2,760,644
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 74,983	(41,430)	33,553
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	136,425	34,121	170,546
Amortization expense	12,565		12,565
Provision for uncollectible accounts		27,676	27,676
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(29,738)	(29,738)
(Increase) decrease in intergovernmental receivables	22,346		22,346
(Increase) decrease in other receivables	6,707		6,707
(Increase) decrease in interfund receivables		(3,580)	(3,580)
Increase (decrease) in claims payable	(25,704)	(8,470)	(34,174)
Increase (decrease) in compensated absences liability	(707)	849	142
Increase (decrease) in interfund payables	62,032	6,427	68,459
Rounding	1		1
Total Adjustments	213,665	27,285	240,950
Net Cash Provided (Used) by Operating Activities	\$ 288,648	(14,145)	274,503

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 240,821
Total Assets	\$ 240,821
LIABILITIES	
Other liabilities	\$ 12,774
Intergovernmental payables	155,330
Advances from other funds	72,717
Total Liabilities	\$ 240,821

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Winston County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Winston County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

CAP Repayment Polo Fund - This fund is used to account for all activities related to the capital lease of the Polo building.

The county reports the following major Enterprise Funds:

Correctional Facility Fund - This fund is used to account for all activities related to the operation of the correctional facility.

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. - Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the county's enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The “excess revenue” fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The “insurance payment” fund is used to pay the annual insurance premium for insurance for the correctional facility. The “debt service reserve” fund is used to report resources set aside to subsidize potential deficiencies from the county’s operation that could adversely affect debt service payments. The “general” fund is used to pay the principal and interest payments due to the county’s enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Winston County meets this criteria but has elected to report all infrastructure assets on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year’s depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Chancery Clerk pursuant to authorization established by the Board of Supervisors.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Governmental Activities

Explanation	Amount
To correct prior year errors in capital assets, net	\$ 99,350
To record prior year intergovernmental payables omitted in error	(31,517)
To adjust for state aid road expenses recorded in claims payable in the prior year that were not actually expended	18,160
To remove federal revenue (civil defense) that corresponded with expenditures in prior year	4,448
To remove federal revenue (solar panel energy grant) that corresponded with expenditures in prior year	73,388
Total prior period adjustments	\$ 163,829

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To record prior year intergovernmental payables omitted in error	\$ (31,517)
To adjust for state aid road expenses recorded in claims payable in the prior year that were not actually expended	18,160
To remove federal revenue (civil defense) that corresponded with expenditures in prior year	4,448
To remove federal revenue (solar panel energy grant) that corresponded with expenditures in prior year	73,388
Total prior period adjustments	\$ 64,479

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$10,640,055, and the bank balance was \$11,050,736. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Winston-Choctaw County Regional Correctional Facility.

Investments balances at September 30, 2011, are as follows:

Business-type Activities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ 2,360,375	AAAm
Total		\$ 2,360,375	

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 6,427
General	Correctional Facility	62,033
General	Other Governmental Funds	15,085
Other Governmental Funds	General	65,330
Other Governmental Funds	Other Governmental Funds	451
Solid Waste	General	13,245
Total		\$ 162,571

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2011, fiscal year. The amount payable to the Solid Waste Fund and Other Governmental Funds from the General Fund represents ad valorem taxes collected by the Tax Collector in September 2011, but not remitted to the county until October 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste	\$ 46,596
General	Correctional Facility	65,946
General	Other Governmental Funds	114,534
General	Agency Funds	66,622
Other Governmental Funds	General	6,376
Other Governmental Funds	Solid Waste	3,502
Other Governmental Funds	Other Governmental Funds	3,081
Correctional Facility	Agency Funds	6,095
Total		\$ <u>312,752</u>

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative cost incurred in previous fiscal years that have never been paid to the General Fund. The amount due to the General Fund from the Other Governmental Funds represents expenses paid for these various funds in prior fiscal years out of the General Fund that were not repaid. The amount due to General Fund and Correctional Facility Fund from the Agency Funds is due to posting errors and over payments. None of the advances are expected to be paid within one year.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 76,000
Solid Waste Fund	General Fund	90,000
Other Governmental Funds	General Fund	531,885
Other Governmental Funds	Other Governmental Funds	18,160
Total		\$ <u>716,045</u>

The principal purpose of interfund transfers was to provide funds for volunteer fire expenditures and to provide funds for road maintenance expenditures and to pay solar energy panel expenditures and to correct the posting of a receipt in wrong fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit due tax collector	\$ 92,890
Motor vehicle fuel payments due from state	21,658
Motor vehicle license payments due from state	5,570
State of Mississippi-DUI officer grant	7,906
Civil defense reimbursement	12,335
State aid road reimbursement	6,081
Department of Health and Human Services reimbursement	3,250
TVA payments in lieu tax	1,465
Other	1,261
Total Governmental Activities	\$ 152,416

Description	Amount
Business-type Activities:	
MDOC reimbursement for housing prisoners	\$ 229,318
Other local government payments for housing prisoners	5,490
Total Business-type Activities	\$ 234,808

(7) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Southern Products CDBG Loan	09/1998	6.25%	04-2016	\$ 178,547
Less allowance for uncollectible loan				(178,547)
Total				\$ 0

(8) Restricted Assets.

The balances of the restricted asset accounts in the Correctional Facility Fund are as follows:

Excess revenue	\$ 941,445
Revenue	91,575
Debt service reserve	383,222
Insurance payment	20,258
Depreciation and operating reserve	500,175
General	423,700
Total restricted assets	\$ 2,360,375

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 658,664				658,664
Construction in progress	770,598	1,195,715		(993,187)	973,126
Total non-depreciable capital assets	1,429,262	1,195,715	0	(993,187)	1,631,790
<u>Depreciable capital assets:</u>					
Infrastructure	42,084,036			993,187	43,077,223
Buildings	4,241,882				4,241,882
Improvements other than buildings	265,916	10,150		97,850	373,916
Mobile equipment	5,585,030	122,999	(19,725)		5,688,304
Furniture and equipment	465,600	8,082			473,682
Leased property under capital leases	319,008				319,008
Total depreciable capital assets	52,961,472	141,231	(19,725)	1,091,037	54,174,015
<u>Less accumulated depreciation for:</u>					
Infrastructure	23,392,847	321,381			23,714,228
Buildings	3,025,491	19,581		(1,500)	3,043,572
Improvements other than buildings	63,820	14,957			78,777
Mobile equipment	4,576,349	121,564	(17,753)		4,680,160
Furniture and equipment	378,968	21,831			400,799
Leased property under capital leases	53,916	26,081			79,997
Total accumulated depreciation	31,491,391	525,395	(17,753)	(1,500)	31,997,533
Total depreciable capital assets, net	21,470,081	(384,164)	(1,972)	1,092,537	22,176,482
Governmental activities capital assets, net	\$ 22,899,343	811,551	(1,972)	99,350	23,808,272

Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 54,000				54,000
Total non-depreciable capital assets	54,000	0	0	0	54,000
<u>Depreciable capital assets:</u>					
Buildings	5,229,560				5,229,560
Mobile equipment	398,510	30,828	(60,186)	189,562	558,714
Furniture and equipment	175,672				175,672

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
Leased property under capital leases	189,562			(189,562)	0
Total depreciable capital assets	5,993,304	30,828	(60,186)	0	5,963,946
<u>Less accumulated depreciation for:</u>					
Buildings	1,234,545	104,591			1,339,136
Mobile equipment	316,950	52,112	(54,168)	85,302	400,196
Furniture and equipment	107,625	13,843			121,468
Leased property under capital leases	85,302			(85,302)	0
Total accumulated depreciation	1,744,422	170,546	(54,168)	0	1,860,800
Total depreciable capital assets, net	4,248,882	(139,718)	(6,018)	0	4,103,146
Business-type activities capital assets, net	\$ 4,302,882	(139,718)	(6,018)	0	4,157,146

*Adjustments represent reclassifications from construction in progress to infrastructure and reclassifications of leased property under capital lease to mobile equipment along with related accumulated depreciation. The adjustment to depreciation of \$1,500 represents depreciation on an asset deleted in the prior year. The adjustment for \$97,850 represents expenditure in the prior year for an asset not included in the beginning balance.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 19,718
Public safety	57,598
Public works	428,433
Health and welfare	13,784
Culture and recreation	5,091
Conservation of natural resources	771
Total governmental activities depreciation expense	\$ 525,395
Business-type activities:	
Solid waste	\$ 34,121
Correctional facility	136,425
Total business-type activities depreciation expense	\$ 170,546

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Loakfoma Road Project #STP-0678(5)B	\$ 195,923	March 2012
Alampa Circle Bridge Plattsburg Mt. Calvary – Rural		
Hill Project #BR-0561(9)B	27,435	February 2012
Project #EFLH 0677 (27) B	9,336	January 2012

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(11) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$325,000 for the year ended September 30, 2011. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2012	\$ 345,833
2013	350,000
2014	350,000
2015	350,000
2016	350,000
2017 – 2021	1,495,833
2022 – 2026	437,500
Total Minimum Payments Required	\$ 3,679,166

(12) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

Classes of Property	Amount
Buildings	\$ 438,500
Other	130,000
Total	\$ 568,500

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

Year Ended September 30	Principal	Interest
2012	\$ 26,618	16,640
2013	27,428	15,831
2014	28,262	14,996
2015	29,121	14,137
2016	30,007	13,251
2017 – 2021	164,295	52,000
2022 – 2026	190,847	25,445
2027 – 2031	70,240	1,858
Total	\$ <u>566,818</u>	<u>154,158</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
Mobile equipment	\$ 319,008
Less: Accumulated depreciation	<u>79,997</u>
Leased Property Under Capital Leases	\$ <u>239,011</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities Principal	Interest
2012	\$ 48,581	4,442
2013	51,068	2,785
2014	37,188	1,220
2015	4,313	24
Total	\$ <u>141,150</u>	<u>8,471</u>

(13) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Spartus buyback payoff	\$ <u>170,000</u>	8.00%	05/2012
Total General Obligation Bonds	\$ <u>170,000</u>		

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
District 2 – 2009 International 7400 dump truck	\$ 29,841	3.34%	09/2013
Pierce Contender fire truck	62,222	3.80%	12/2013
6,000 gallon duratank	30,648	3.26%	01/2015
Kubota tractor	18,439	3.26%	11/2014
Total Capital Leases	\$ 141,150		
C. Other Loans:			
CAP loan for Polo Industries	\$ 566,819	3.00%	05/2028
Southern Products CDBG loan	178,547	6.25%	03/2014
CAP loan for fire trucks	119,344	2.00%	10/2015
Total Other Loans	\$ 864,710		
Business-type Activities:			
Limited Obligation Bonds:			
2008 correctional facility refunding bonds*	\$ 2,935,000	4.00%	10/2018
Total Limited Obligation Bonds	\$ 2,935,000		

*Pledge of Future Revenues - The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,815,000 in limited obligation urban renewal revenue bonds issued in April 2008. Proceeds from the bonds were used to refund bonds that provided financing for the construction of the Winston-Choctaw County Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through October 2018. The total principal and interest remaining to be paid on the bonds is \$3,365,300. Principal and interest paid for the current year and total inmate housing net revenues were \$474,400 and \$288,648, respectively.

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 170,000	13,600	202,289	95,812
2013			76,199	18,709
2014			68,444	16,174
2015			59,807	14,522
2016			32,588	13,256
2017 – 2021			164,295	51,998
2022 – 2026			190,847	25,445
2027 – 2031			70,241	1,857
Total	\$ 170,000	13,600	864,710	237,773

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2012	\$ 365,000	110,100
2013	385,000	95,100
2014	405,000	79,300
2015	420,000	62,800
2016	435,000	45,700
2017 – 2021	925,000	37,300
Total	\$ 2,935,000	430,300

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 0.88% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments*	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 39,030			3,860	42,890	
General obligation bonds	325,000		155,000		170,000	170,000
Capital leases	189,536		48,386		141,150	48,581
Other loans	918,918		54,208		864,710	202,289
Total	\$ 1,472,484	0	257,594	3,860	1,218,750	420,870
Business-type Activities:						
Limited obligation bonds	\$ 3,285,000		350,000		2,935,000	365,000
Add:						
Premiums	34,092		4,870		29,222	4,870
Net limited obligation bonds	3,319,092	0	354,870	0	2,964,222	369,870
Compensated absences	20,513			142	20,655	
Capital leases	30,984		30,984		0	
Total	\$ 3,370,589	0	385,854	142	2,984,877	369,870

*Adjustments are reported to reflect changes in compensated absences liability.

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, Reappraisal Fund, Road Maintenance Funds, Solid Waste Fund, and Correctional Facility Fund.

(14) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2011:

Fund	Deficit Amount
District 2 State Aid Project	\$ 43,390

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(15) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(16) Joint Ventures.

The county participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$7,750 in fiscal year 2011. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in joint venture, authorized by Section 19-5-99, Miss. Code. Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$70,875 in fiscal year 2011. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to the citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$144,000 in the fiscal year 2011. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$289,991 for the maintenance and support of the college in fiscal year 2011.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$29,262 for support of the district in fiscal year 2011.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$22,275 for support of the agency in fiscal year 2011.

WINSTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Prairie Opportunity, Inc. operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. The other 14 board members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

(18) Defined Benefit Pension Plan.

Plan Description. Winston County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$389,700, \$374,041 and \$373,394, respectively, equal to the required contributions for each year.

(19) Subsequent Event.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Winston County evaluated the activity of the county through July 18, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
9/17/2012	2.11%	\$ 124,638	Capital lease	Ad valorem taxes
10/15/2012	1.89%	82,000	Capital lease	Ad valorem taxes
12/17/2012	1.74%	76,500	Capital lease	Ad valorem taxes
5/06/2013	2.01%	161,644	Capital lease	Ad valorem taxes
5/20/2013	2.04%	131,043	Capital lease	Ad valorem taxes

WINSTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WINSTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,582,087	2,443,322	2,443,322	
Licenses, commissions and other revenue	308,800	349,555	349,555	
Fines and forfeitures	212,000	191,982	191,982	
Intergovernmental revenues	694,500	696,896	696,896	
Interest income	57,000	15,820	15,820	
Miscellaneous revenues	36,000	95,714	95,714	
Total Revenues	<u>3,890,387</u>	<u>3,793,289</u>	<u>3,793,289</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,277,285	2,507,746	2,507,746	
Public safety	895,230	820,041	820,041	
Public works	7,750	7,750	7,750	
Health and welfare	112,800	114,630	114,630	
Culture and recreation	171,000	172,076	172,076	
Education	225,000	99,966	99,966	
Conservation of natural resources	116,135	104,813	104,813	
Economic development and assistance	90,875	100,137	100,137	
Total Expenditures	<u>3,896,075</u>	<u>3,927,159</u>	<u>3,927,159</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(5,688)</u>	<u>(133,870)</u>	<u>(133,870)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		30,000	30,000	
Other financing uses	<u>(135,000)</u>	<u>(355,625)</u>	<u>(355,625)</u>	
Total Other Financing Sources and Uses	<u>(135,000)</u>	<u>(325,625)</u>	<u>(325,625)</u>	<u>0</u>
Net Change in Fund Balance	<u>(140,688)</u>	<u>(459,495)</u>	<u>(459,495)</u>	<u>0</u>
Fund Balances - Beginning	<u>5,561,355</u>	<u>7,133,917</u>	<u>7,133,917</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,420,667</u>	<u>6,674,422</u>	<u>6,674,422</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WINSTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 CAP Repayment Polo Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income			17,426	17,426
Total Revenues	<u>0</u>	<u>0</u>	<u>17,426</u>	<u>17,426</u>
EXPENDITURES				
Current:				
Debt service:				
Principal			25,832	(25,832)
Interest			17,426	(17,426)
Total Expenditures	<u>0</u>	<u>0</u>	<u>43,258</u>	<u>(43,258)</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>(25,832)</u>	<u>(25,832)</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments			25,832	25,832
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>25,832</u>	<u>25,832</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The accompany notes to the Required Supplementary Information are an integral part of this statement.

WINSTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 11

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>CAP Repayment Polo Fund</u>
Budget (Cash Basis)	\$ (459,495)	0
Increase (Decrease)		
Net adjustments for revenue accruals	168,787	
Net adjustments for expenditure accruals	<u>275,434</u>	
GAAP Basis	<u>\$ (15,274)</u>	<u>0</u>

D. Unbudgeted Fund.

The following fund was not budgeted for the year ended September 30, 2011:

Special Revenue Fund:
CAP Repayment Polo Fund

The unbudgeted fund is in violation of state law. However, the county has no liability associated with the violation.

WINSTON COUNTY

SUPPLEMENTAL INFORMATION

Winston County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the State of Mississippi Treasury Department Schools and roads - grants to states	10.665	N/A	\$ <u>142,354</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1125-08-080-EM-01	98,500
Home investment partnerships program*	14.239	1221-M09-SG-280-968	231,918
Total U.S. Department of Housing and Urban Development			<u>330,418</u>
U.S. Department of the Interior - Fish and Wildlife Service/ Fish and wildlife management assistance* (Direct Award)	15.608	401816G048	<u>242,000</u>
U.S. Department of Labor/Passed through the Mississippi Department of Employment Security WIA adult program	17.258	N/A	<u>2,000</u>
U.S. Department of Transportation/Federal Highway Administration/ Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	51,933
U.S. Department of Transportation/National Highway Traffic Safety Administration/Passed through the Mississippi Department of Public Safety Alcohol open container requirements	20.607	11-TA-180-1	<u>49,870</u>
Total U.S. Department of Transportation			<u>101,803</u>
U.S. Department of Energy/ Passed through the Mississippi Development Authority ARRA-State energy program*	81.041	GT10-0410-0008	7,613
ARRA-Energy efficiency and conservation block grant program*	81.128	GT11-0810-0097	<u>7,440</u>
Total U.S. Department of Energy			<u>15,053</u>
U.S. Department of Homeland Security/Passed through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	159-99159-00	59,462
Emergency management performance grants	97.042	11EMPG	<u>22,556</u>
Total U.S. Department of Homeland Security			<u>82,018</u>
Total Expenditures of Federal Awards			\$ <u><u>915,646</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Fish and wildlife management assistance CDFA #15.608

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$242,000 to subrecipients during the year ended September 30, 2011.

* denotes major federal award program

WINSTON COUNTY

SPECIAL REPORTS

WINSTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Winston County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Winston County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2 and 11-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winston County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Winston County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 18, 2013, included within this document.

Winston County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Winston County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 18, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Winston County, Mississippi

Compliance

We have audited the compliance of Winston County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Winston County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winston County, Mississippi's management. Our responsibility is to express an opinion on Winston County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winston County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winston County, Mississippi's compliance with those requirements.

As described in item 11-4 in the accompanying Schedule of Findings and Questioned Costs, Winston County, Mississippi, did not comply with compliance requirements regarding subrecipient monitoring that is applicable to its Fish and Wildlife Management Assistance Grant. Compliance with such requirements is necessary, in our opinion, for Winston County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Winston County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

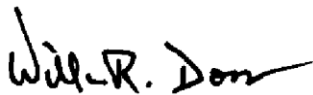
The management of Winston County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winston County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-4 to be a material weakness.

Winston County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Winston County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 18, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Winston County, Mississippi

We have examined Winston County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Winston County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Winston County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. **Inventory Control Clerk should file inventory report by October 15.**

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each year. The inventory reports were not filed with the Office of the State Auditor by October 15th as required. The inventory reports had not been filed with the Office of the State Auditor as of March 12, 2012. By not filing the annual reports with the proper persons, the county is not in compliance with applicable statutes.

Recommendation

The Inventory Control Clerk should file the inventory reports with the Board of Supervisors and Office of the State Auditor by October 15th of each year, as required by law.

Inventory Control Clerk's Response

The inventory reports will be done and turned into the proper people.

Assistant Receiving Clerk.

2. Assistant Receiving Clerk should be bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Assistant Receiving Clerk for the Winston Choctaw County Regional Correctional Facility was not bonded during fiscal year ended September 30, 2011. The failure to bond the Assistant Receiving Clerk could result in loss of public funds.

Recommendation

The Assistant Receiving Clerk should execute a current bond for the amount required by law.

Assistant Receiving Clerk's Response


As of January, 2012, the receiving clerk for the Winston Choctaw County Regional Correctional Facility is bonded.

In our opinion except for the noncompliance referred to in the preceding paragraph, Winston County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Winston County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Winston County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 18, 2013

WINSTON COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
10/21/2010	Fire Repeater	\$ 8,082	Comsouth	\$ 8,015	Comcast had a guaranteed installation price.
05/02/2011	Backhoe	78,500	Stribling Equipment	73,413	Lowest bid did not meet specifications.

WINSTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

WINSTON COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

WINSTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi for the year ended September 30, 2011, we considered Winston County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Winston County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 18, 2013, on the financial statements of Winston County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. A budget should be prepared for all funds.

Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. As reported in the prior year's audit report, a budget was not prepared for the CAP Repayment POLO Fund. Failure to prepare a budget for all funds is a violation of state law.

Recommendation

The Board of Supervisors should prepare a budget for all funds, except Trust and Agency Funds.

Board of Supervisors' Response

The Board of Supervisors will prepare a budget for all funds, except Trust and Agency Funds.

2. Claim numbers should be included on warrants and supporting invoices.

Finding

Section 19-13-29, Miss. Code Ann. (1972), requires when issuing any warrant under order of the board of supervisors to pay any one of said claims so numbered and kept, said clerk shall, "enter the number of the claim and designate the fund against which allowed in the body of the warrant so that the claim may be easily found and identified, and so that possible duplication may be avoided." As reported in the prior year's audit report, claim numbers are not being written or included on the claim invoice with the purchasing documentation. Failure to include the claim numbers on the claim invoices when warrants are issued to pay claims could result in duplication of claim numbers.

Recommendation

The Board of Supervisors should ensure that claim numbers are written or included on the claim invoice when warrants are issued for payment of claims.

Board of Supervisors' Response

The clerk will ensure that claim numbers are written or included on the claim invoice when warrants are issued for payment of claims.

3. Claim numbers for approved claims should be recorded in board minutes.

Finding

Section 19-13-31, Miss. Code Ann. (1972), requires that, "the board enter an order on its minutes approving the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the numbers as they appear on the claims docket." As reported in the prior year's audit report, the Board of Supervisors failed to list the claims approved for payment in the board minutes. Failure to record claim numbers could allow claims not approved by the board to be added to the claims docket and paid without board approval.

Recommendation

The Board of Supervisors should ensure that the approved claim numbers are spread on the board minutes.

Board of Supervisors' Response

The Board of Supervisors will ensure that approved claim numbers are spread on the board minutes.

4. Interfund loans should be repaid on a timely basis.

Finding

The county has interfund loans outstanding that are over a year old. These interfund advances totaled \$312,752 as of September 30, 2011. These interfund advances include \$65,946 and \$46,596 related to indirect costs associated with housing prisoners and garbage collection, respectively. The Mississippi Code is silent regarding the authority of the county to make these loans and failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that these loans are repaid as soon as possible.

Board of Supervisors' Response

The Winston County Board of Supervisors will discuss this issue at the February 19, 2013 meeting. We will make every effort to correct this matter and to see that interfund loans are restricted in the future.

Chancery Clerk.

5. The county should submit quarterly reports to the State Treasurer for the collateralization of public funds.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- a. The quarterly report from the State Treasurer was not reconciled to the county's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily deposit.

Without accurate and timely reconciliation of the quarterly reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure that the quarterly report is submitted with accurate amounts as of September 30th by October 31st.

Chancery Clerk's Response

I took office in January, 2012. Under my administration, I will ensure that the reconciliation function is prepared quarterly and the bank is notified when appropriate. I cannot answer for the former clerk.

6. Effective internal controls should be implemented for Chancery Clerk's fees.

Finding

An effective system of internal control over accounting for fee income and expenses should include properly maintaining a fee journal, making timely deposits, reconciling the bank statement to the fee journal, and properly numbering fee journal receipts. As reported in the prior two year's audit reports, the fee journal included some recording errors, the bank statement was not reconciled to the fee journal, some deposits were made up to 5 days later (not including weekends) and receipts were not numbered. Failure to reconcile the bank statement to the fee journal, make timely deposits, correctly post transactions in the fee journal and adequately number receipts could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that the fee journal is properly posted, deposits are made daily, the bank statement is reconciled to the fee journal and that the fee journal receipts are properly numbered.

Chancery Clerk's Response

I took office in January, 2012. I make deposits to my fee journal regularly and reconcile my bank statements to my fee journal. I keep a daily journal for all monies coming into my office as well as all business that is transacted. I maintain my fee journal on "Quick Books". I cannot answer for the former clerk.

7. Circuit Clerk should refund the overpayment to the county.

Finding

Section 23-15-225(1)(f), Miss. Code Ann. (1972), entitles the county registrar to compensation based on a population of more than 15,000 and not more than 25,000 in an amount not to exceed \$16,100. The Circuit Clerk exceeded this amount by \$900 in 2010 and 2011; and by \$553.92 in 2012 through a clerical error. The Circuit Clerk should repay these amounts to the General Fund. The total amount to be repaid is \$2,817.60 which includes employer matching amounts for retirement, FICA and Medicare for 2010, 2011 and 2012.

Recommendation

The Circuit Clerk should refund these overpayments and the employer matching amounts to the county.

Circuit Clerk's Response

Error was made when changing payroll from monthly to biweekly.

Auditor's Note

The Circuit Clerk remitted the overpayment for 2010, 2011 and 2012 plus the employer matching amounts for retirement, FICA and Medicare \$2,817.60 as evidenced by the county's receipt #21635 on September 12, 2012.

8. Former Sheriff should refund the overpayment to the county.

Finding

Section 25-3-25(1)(f) Miss. Code Ann. (1972), entitles the Sheriff to compensation based on a population of more than 15,000 and not more than 25,000 in an amount not to exceed \$60,000. The Sheriff exceeded this amount by \$303.49 in 2010 and \$607.04 in 2011 through a clerical error. The Sheriff should repay these amounts to the General Fund. The total amount to be repaid is \$910.53 for 2010 and 2011.

Recommendation

The former Sheriff should refund these overpayments and the employer matching amounts to the county.

Former Sheriff's Response

Chose not to respond.

Auditor's Note

On February 28, 2013, the former Sheriff paid \$500.00 to the county as evidenced by Receipt No. 2011-22057. The remaining amount of \$410.53 has been referred to the Investigative Division of the Office of the State Auditor for collection.

9. Effective internal controls should be implemented over deposits in the Sheriff's office.

Finding

An effective system of internal control over the collection of cash should include making deposits on a timely basis. As reported in the prior two years' audit reports, the employees of the Sheriff's office were not making timely deposits. The Sheriff's office did not have policies and procedures in place to ensure that deposits were made in a timely manner. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Sheriff should ensure that all funds received are deposited in a timely manner.

Sheriff's Response

Office manager has been instructed to make timely deposits so that excess funds will not build up in the Sheriff's office.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Randy Thomas, Former Sheriff

Nature of Exception:

See Former Sheriff Finding # 8 described in this report.

Amount of Exception:

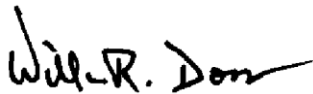
\$410.53

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

Winston County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 18, 2013

WINSTON COUNTY

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WINSTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WINSTON COUNTY

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WINSTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| | Unqualified for all major programs except for the Fish and Wildlife Management Assistance which was qualified. | |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Home investment partnerships program, CFDA #14.239 | |
| b. | Fish and wildlife management assistance, CFDA #15.608 | |
| c. | ARRA-State energy program, CFDA #81.041 | |
| d. | ARRA-Energy efficiency and conservation block grant program, CFDA #81.128 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

WINSTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

11-1. An adequate system of internal control over payroll procedures should be implemented.

Finding

An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. As reported in the prior four years' audit reports, inadequate controls exist in the payroll function. The employment and salaries of county employees are not filed in the individual personnel files. This is due to a lack of segregation of duties and management oversight. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

The Board of Supervisors should implement an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Documentation for all payroll and employment status changes should be kept in each individual personnel file.

Material Weakness

11-2. Effective internal control policies should be implemented over bookkeeping functions.

Finding

An effective system of internal control over the accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions. Collection, deposit preparation, disbursement, general journal, recording and reconciling functions are not adequately segregated to assure adequate internal control. As reported in the prior year's audit report, the comptroller can receipt funds, prepare deposits, post the receipts to the general ledger, record general journal entries and prepare the bank reconciliations. In addition both accounts payable clerk and comptroller can print checks with the Chancery Clerk's signature and there is no oversight by the Board of Supervisors or the Chancery Clerk before checks are sent or delivered. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal policies that will allow proper segregation of duties for collection, deposit, preparation, disbursement, general journal, recording, and reconciling functions.

WINSTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Justice Court Clerk.

Material Weakness

- 11-3. An effective system of internal control should be implemented in the Justice Court Office.

Finding

An effective system of internal control in Justice Court should include an adequate separation of duties over accounting for the collection, recording, and disbursement functions. As reported in the prior two years' audit reports, the Justice Court Clerk receipts funds, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds relative to the civil cases. Failure to have adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should separate the civil case duties within the office.

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Material Weakness

Material Noncompliance

- 11-4. The county should monitor subrecipient's use of federal funds.

Program: CFDA #15.608 Project #401816G048
U. S. Department of the Interior - Fish and Wildlife Service/
Noxubee National Wildlife Refuge
Fish and wildlife management assistance

Compliance Requirement: Subrecipient monitoring

The OMB Circular A-133 Compliance Supplement specifies that the pass-through entity should monitor subrecipients through reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved. During our audit test of procedures, we noted that there were no procedures in place to monitor the Division of State Aid Road's use of federal awards in regard to the Loakfoma Road project. Without adequate controls to monitor the subrecipients' use of federal funds, the county could fail to comply with federal requirements. Also, federal noncompliance could occur and not be detected promptly.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Winston County Board of Supervisors should take steps to ensure that monitoring procedures are implemented to oversee subrecipients of federal awards.

WINSTON COUNTY

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WINSTON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

WINSTON COUNTY

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WINSTON COUNTY BOARD OF SUPERVISORS

1

DISTRICT

ONE - JAMES WARNER

TWO - LUKE PARKES

THREE - MIKE PETERSON

FOUR - GLORIA TURNIPSEED

FIVE - LARRY DURAN

JULIE CUNNINGHAM
Chancery Clerk

DEBBIE SULLIVAN
Comptroller

CRYSTAL CLARK
Purchasing Clerk

HUGH HATHORN
Board Attorney

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Dear Sirs:

Winston County respectfully submits the following schedule of prior audit findings.

Section 2: Financial Statement Findings

Board of Supervisors

Material weaknesses

11-1: An adequate system of internal control over payroll procedures should be implemented.

Finding: An effective system of internal control over the county payroll should include proper authorization of payroll and documentation for all withholdings, deductions, leave, and hours worked. As reported in the prior four years' audit reports, inadequate controls exist in the payroll function. The employment and salaries of county employees are not filed in the individual personnel files. This is due to a lack of segregation of duties and managements oversight. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Corrective Action Planned: The Chancery Clerk will continue to review payroll checks before they are disbursed to the employees of Winston County. DataSystems Management will train the current Chancery Clerk in payroll function on March 13, 2013. The current Bookkeeper and the Chancery Clerk will review employee files to ensure that all employment information is included in each employee's file.

PO Drawer 69 Louisville, MS 39339 Phone (662) 773-7170 Fax (662) 773-8825
(662) 773-3631 (662) 773-8814

Anticipated Completion Date for Corrective Action: The Chancery Clerk began reviewing payroll disbursements in January, 2012. The Chancery Clerk has contacted DataSystems Management for payroll training on March 13, 2013. The Bookkeeper and the Chancery Clerk will review employee files to be sure all pertinent information is included in each employee's file by July 1, 2013.

Name of Contact Person Responsible for Corrective Action:
Julie Cunningham, Winston County Chancery Clerk

11-2: Effective internal control policies should be implemented over bookkeeping functions.

Finding: An effective system of internal control over the accounting functions should include an adequate segregation of duties in the collection, deposit preparations, disbursement, general journal, recording and reconciling functions. Collection, deposit preparation, disbursement, general journal recording and reconciling functions are not adequately segregated to assure adequate internal control structure. As reported in the prior year's audit report, the comptroller can receipt funds, prepare deposits, post the receipts to the general ledger, record general journal entries, and prepare the bank reconciliations. In addition, both accounts payable clerk and comptroller can print checks with the Chancery Clerk's signature and there is no oversight by the Board of Supervisors or the Chancery Clerk before checks are sent or delivered. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Corrective Action Planned: The Chancery Clerk or one of her deputies will continue to open the mail daily and date-stamp each item. The Chancery Clerk and the Accounts Payable Clerk will review each invoice and compare the invoice to each check before the checks are disbursed every 2 weeks. The automatic signature has been removed from Accounts Payable function. The Chancery Clerk will manually sign each check mailed from the Accounts Payable office. The Bookkeeper reconciles the Bank Statements each month, and the Chancery Clerk will review these reconciliations and sign off on them.

Anticipated Completion Date for Corrective Action: The Chancery Clerk has implemented date-stamping invoices, comparing the invoices to checks before disbursement, and manually signing checks from the Accounts Payable office. The Chancery Clerk has begun to review bank statement reconciliations for the Bookkeeping Office. The Chancery Clerk also has access to Paymode alerts for Direct Deposits made into Common County accounts.

Name of Contact Person Responsible for Corrective Action: Julie
Cunningham, Chancery Clerk.
Justice Court Clerk
Material Weakness

11:3: An effective system of internal control should be implemented in the Justice Court Office.

Finding: An effective system of internal control should include an adequate separation of duties over accounting for the collection, recording, and disbursement functions. As reported in the prior two years' audit reports, the Justice Court clerk receipts funds, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements, and disburses all funds relative to the civil cases. Failure to have adequate separation of duties could result in the loss of misappropriation of public funds.

Corrective Action Planned: There are two full time employees bonded in the Justice Court office to receipt funds. There is also one new part-time employee. Employees are in the process of being properly trained. The Justice Court Clerk will receipt money for Civil cases and the deputy will complete the bank deposit for civil cases. The Deputy will receipt money for Criminal cases and the Justice Court Clerk will complete the bank deposit for Criminal cases. The Chancery Clerk will review monthly settlements as they are submitted.

Anticipated Completion Date for Corrective Action: The system of receipting and depositing money for Criminal and Civil cases has begun. The Chancery Clerk has begun reviewing the monthly settlements as they are submitted to her. The implementation of our plan will be ongoing.

Name of Contact Person Responsible for Corrective Action: Tabby
Dempsey, Justice Court Clerk

Section 3: Federal Award Findings and Questioned Costs

11-4: The county should monitor sub recipient's use of federal funds.

Finding: Program: Fish and Wildlife management assistance
CFDA #15.608 #401816G048
United States Department of Interior
Passed through Noxubee Wildlife Refuge

Compliance Requirement: Sub recipient monitoring:

The OMB Circular A-133 Compliance Supplemental specifies that the pass-through entity should monitor sub recipients through reporting, site visits, regular contact or other means to provide reasonable assurance that the sub recipient administers federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements and that performance goals are achieved. During our audit test procedures, we noted that there were no procedures in place to monitor the Division of State Aid Road's use of federal awards in regard to the Loakfoma Road project. Without adequate controls to monitor the sub recipient's use of federal funds, the county could fail to comply with federal requirements. Also, federal noncompliance could occur and not be detected promptly.

Corrective Action Planned: Since the Office of State Aid Road Construction (OSARC) has oversight over all projects using Federal funding from the Federal Highway Administration (FHWA) and allocated to Mississippi counties, Winston County officials trusted this State Agency and their county engineer to properly monitor the STP-0678(5)B, Loakfoma Road project. This project was funded in part by both the Fish and Wildlife Service and FHWA. Files are kept on each project in the Chancery Clerk's office. Each phase of the project is documented and kept in the file.

Anticipated Completion Date for Corrective Action: The system of retaining files on each Federal Award Project has begun. The completion date for corrective action is July 1, 2013, to be sure all steps of the process are in place.

Name of Contact Person Responsible for Corrective Action: Julie Cunningham, Chancery Clerk

Respectfully Submitted, this 21st Day of February, 2013.

Julie Cunningham

Julie Cunningham, Winston County Chancery Clerk

